



FINANCE AND ADMINISTRATION CABINET
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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Financial Aid Tip of the Month, December 2008

Things you need to know about student loans

One fact of life for most college students is that they will need student loans to help pay for their college education. Many times their parents will also need to take out loans to help, so both students and parents need to learn more about student loans and how to save money on these loans.

The Federal Family Education Loan Program (FFELP) includes Federal Stafford Loans for students. FFELP loans will have a lender and a guarantor. The lender may charge an origination fee on Stafford Loans, similar to the points on a home mortgage, of up to 1 percent. The guarantor must charge a federal default fee of 1 percent. Those fees are deducted before the loan funds are sent to the student's college. The Kentucky Higher Education Assistance Authority (KHEAA), which guarantees loans for Kentucky students, will pay the federal default fee for Kentucky students attending Kentucky colleges and universities. To be smart shoppers, students and parents should find out what fees each lender charges. The lower the fees, the more money the student gets to pay for school.

On PLUS Loans, lenders are required to charge a 3 percent origination fee, while guarantors must charge the 1 percent default fee.

Students and parents should also see what benefits lenders offer when they're repaying Stafford Loans. Many FFELP lenders offer interest rate reductions for automatic withdrawals. The Student Loan People offer low-cost BestStart Stafford Loans, BestPLUS loans for parents borrowing to pay for a child's undergraduate education and BestGrad Loans for graduate and professional students.

For complete details about these programs and low-cost student loans, visit www.studentloanpeople.com; write The Student Loan People, P.O. Box 24328, Louisville, KY 40224-0328; or call (888) 678-4625.

To learn how to plan and prepare for higher education, visit www.GoHigherKY.org. For more information about Kentucky scholarships and grants, visit www.kheaa.com; write KHEAA, P.O. Box 798, Frankfort, KY 40602-0798; or call (800) 928-8926, extension 7381.

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